

STATE OF NEW JERSEY  
CASINO CONTROL COMMISSION  
WEDNESDAY, APRIL 22, 1987 - 10:30 a.m.

3131 PRINCETON PIKE - BUILDING NO. 5  
LAWRENCEVILLE, NEW JERSEY

In Regard to the Matter of: x

APPLICATIONS OF TRUMP PLAZA : VOLUME II  
ASSOCIATES FOR RENEWAL OF ITS :  
PLENARY CASINO LICENSE AND : DECISION  
SEASHORE FOUR ASSOCIATES FOR :  
RENEWAL OF ITS CASINO SERVICE : PAGES 220 thru. 245  
INDUSTRY LICENSE

B E F O R E:

WALTER N. READ - Chairman  
CARL ZEITZ - Vice-Chair  
W. DAVID WATERS - Commissioner  
E. KENNETH BURDGE - Commissioner  
VALERIE H. ARMSTRONG - Commissioner

ALSO PRESENT:

KAREN BIACHE - Sr. Procedures Analyst  
BARBARA GALLO - Procedures Analyst  
JOHN KOVAC - Pr. Procedures Analyst  
THOMAS FLYNN - Public Information Officer

ON BEHALF OF THE COMMISSION STAFF:

JOHN ZIMMERMAN - Legal  
JOYOTI FLEMING - Legal

1     A P P E A R A N C E S:

2  
3     ON BEHALF OF THE DIVISION OF GAMING ENFORCEMENT:

4  
5     MICHAEL VUKCEVICH                   - Deputy Attorney General  
6     JOHN ADAMS                         - Deputy Attorney General

7     ON BEHALF OF THE APPLICANTS:

8  
9     NICHOLAS L. RIBIS, ESQ.           - RIBIS, McCLUSKEY & GRAHAM  
10                                       Short Hills Plaza  
11                                       636 Morris Turnpike  
12                                       Short Hills, NJ 07078

13                   -and-

14  
15     NICHOLAS F. MOLES, ESQ.          - TRUMP PLAZA ASSOCIATES  
16                                       Atlantic City, New Jersey

17  
18     HARVEY I. FREEMAN               - THE TRUMP ORGANIZATION  
19     Exec. Vice-President             725 Fifth Ave.  
20                                       New York, NY 10022

21  
22     -----  
23     MOTIONS:

24                                       PAGE:

25     by Chairman Read:

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(All Five Commissioners present)

MS. BIACHE: next item is No. 26:

"Application of Trump Plaza

Associates for renewal of its casino license  
and its casino hotel alcoholic beverage  
license and application of Seashore Four  
Associates for renewal of its casino service  
industry license."

Mr. Zimmerman.

MR. ZIMMERMAN: Mr. Chairman, we've  
received a letter from the Division which I  
think resolves the outstanding issues  
concerning the two banks and Harrah's  
Atlantic City as financial sources. If  
that's agreed, I believe all that's left is  
the Commission's decision.

CHAIRMAN READ: No questions, Mr.  
Ribis, about that letter?

MR. RIBIS: I have no comments.

CHAIRMAN READ: Then it will be  
received. I don't know whether that's  
received a marking or not before, but I  
certainly know I've seen it and reviewed it  
and I'm sure all of the other Commissioners  
have as well.

1                   If that's the case, I think having  
2                   completed the matter the other day entirely,  
3                   as far as the presentation by the licensee  
4                   and the Division, the matter was concluded  
5                   at that time, I think we have all of the  
6                   materials available to us. I indicated that  
7                   I would take the occasion to review some of  
8                   the materials that I just received from that  
9                   day briefly before the hearing because I had  
10                  not had a chance to review them all at that  
11                  stage.

12                 Having done all that, and I'm sure  
13                 my fellow Commissioners have gone forward on  
14                 the same sort of a basis, I would now move  
15                 to renew the casino license and the  
16                 casino-hotel alcoholic beverage license of  
17                 Trump Plaza Associates, subject to:

18                 1. All of the conditions and  
19                 recommendations set forth in the staff  
20                 reports.

21                 2. The obligation of counsel to  
22                 cooperate with the Division and the  
23                 Commission staffs to arrive at appropriate  
24                 procedures under which Donald Trump and any  
25                 of the entities which he controls will

1 investigate persons and entities with whom  
2 they enter into continuing business  
3 relations; that is, conduct an appropriate  
4 due diligence search; and

5 3. Consideration of the continuing  
6 qualification of financial source Harrah's  
7 Atlantic City at a hearing scheduled to  
8 begin on May 4th of this year.

9 In addition, I would move to renew  
10 the casino service industry license of  
11 Seashore Four Associates.

12 Is there a second for that motion?

13 COMMISSIONER WATERS: Second.

14 CHAIRMAN READ: Discussion?

15 COMMISSIONER ARMSTRONG: Mr.  
16 Chairman, I cannot support the motion to  
17 renew Trump Plaza Associates' casino  
18 license.

19 My reasons relate to testimonial  
20 discrepancies which arose during the Trump  
21 Castle Associates' casino license hearing  
22 last June and which, in my view, continue to  
23 be unresolved.

24 At the hearing last June, we were  
25 presented with testimony concerning the

1 Trump organization's purchase of the Castle  
2 facility from Hilton Hotels and,  
3 specifically, the Trump organization's  
4 acceptance of Hilton's obligations with  
5 respect to road improvements in the Marina  
6 district.

7 We considered the road improvement  
8 matter in the context of Castle's obligation  
9 under Section 84(e) of the Act and under  
10 certain conditions of its license to satisfy  
11 us that it is in compliance with all  
12 provisions of the CAFRA permit issued with  
13 respect to its facility.

14 We were also concerned with the  
15 Castle's prior representation to this  
16 Commission that it would assume Hilton's  
17 obligations under a contract with Golden  
18 Nugget, Harrah's, and the State of New  
19 Jersey, to construct the road improvements  
20 and, also, that it would assume Hilton's  
21 obligation under a joint venture agreement  
22 with Golden Nugget and Harrah's.

23 At last June's hearing, key  
24 personnel of the Trump organization, namely,  
25 Donald Trump, Robert Trump, and Harvey

1 Freeman, generally espoused the position  
2 that, prior to the purchase of the hotel,  
3 Hilton deprived them of information  
4 necessary to judge the reasonableness of or  
5 the probable cost of the road improvements.

6 On the other hand, the New Jersey  
7 Public Advocate, who was permitted to  
8 intervene in the hearing, argued that the  
9 Trump organization knew full well the nature  
10 and potential cost of the road improvements  
11 when it purchased the hotel, and  
12 subsequently refused to live up to the  
13 obligations it had expressly and voluntarily  
14 assumed.

15 The Commission was able to resolve  
16 the road improvement issue last June by  
17 ordering the licensee to seek permission  
18 from CAFRA and the Department of  
19 Transportation to make any modifications it  
20 deemed appropriate to the proposed road  
21 improvements. However, during the course of  
22 the hearing, direct and sharp conflicts  
23 arose between the testimony of Trump  
24 officials, on the one hand, and three Hilton  
25 attorneys, on the other.

1 More specifically, the conflicts  
2 involved whether the road improvement plans  
3 prepared by Wilbur Smith and Associates had  
4 been delivered to Hilton attorneys by Trump  
5 attorneys; and whether Hilton attorney Kevin  
6 Coakley and Donald Trump had a conversation  
7 in which Mr. Trump criticized the road  
8 improvement plans; and whether, as a result  
9 of the drafting process of the agreement of  
10 sale of the hotel, the Trump organization  
11 was aware of certain cost projections for  
12 the road improvements.

13 Kevin Coakley, an attorney for  
14 Hilton, testified that on April 27th, 1985,  
15 the date of the signing of the purchase and  
16 sale agreement, he had a conversation with  
17 Donald Trump in the conference room of the  
18 Trump law firm of Dreyer and Traub regarding  
19 the road improvement plans.

20 In his testimony Mr. Trump denied  
21 that such a conversation had occurred. Mr.  
22 Trump's testimony was corroborated by the  
23 testimony of Jonathan Bernstein and Gerald  
24 Schrager, both of the law firm of Dreyer and  
25 Traub.



1 Two other attorneys for Hilton,  
2 Elizabeth Corey and Patrick McAuley,  
3 supported Mr. Coakley's recollection of the  
4 conversation.

5 Mr. Coakley testified that Mr.  
6 Trump had possession of and expressly  
7 referred to the road improvement plans  
8 during the course of the conversation. Ms.  
9 Corey and Mr. McAuley testified that the  
10 plans were open upon the conference room  
11 table, and that during Mr. Trump's  
12 conversation with Mr. Coakley, frequent  
13 references were made to the plans.

14 Ms. Corey also testified that she  
15 had delivered the plans to the law firm of  
16 Dreyer and Traub.

17 When questioned about the plans,  
18 Mr. Trump denied having ever seen them.  
19 Again, Jonathan Bernstein and Gerald  
20 Schrager corroborated Mr. Trump's testimony.

21 Another area of disputed testimony  
22 involved the procedures used in drafting the  
23 purchase and sale agreement. Specifically,  
24 the dispute related to whether the Trump  
25 attorneys knew of the potential costs of the

1 road improvement project and whether such  
2 knowledge was conveyed to Mr. Trump. A  
3 draft of the purchase and sale agreement  
4 containing a cost estimate of \$11,700,000  
5 was introduced into evidence last year as  
6 Exhibit PA-29.

7 Mr. Trump denied having seen the  
8 purchase and sale agreement. Again, his  
9 testimony was corroborated by Mr. Bernstein  
10 and Mr. Schrage.

11 Mr. Coakley recognized PA-29 as a  
12 draft of the agreement which was made  
13 available to the Trump organization by the  
14 Hilton attorneys prior to the signing of the  
15 contract.

16 We, also, had in evidence a  
17 document which Elizabeth Corey recognized as  
18 a cover letter transmitting PA-29 from  
19 Dreyer and Traub to one of the law firms  
20 representing Hilton.

21 I realize that the negotiations  
22 between Trump and Hilton were hectic and  
23 that the road improvements were not the  
24 major focus of those negotiations. However,  
25 the matter was negotiated and it clearly

1 represented a potentially major obligation  
2 which the Trump organization was undertaking  
3 in addition to the purchase of the hotel.  
4 The Hilton attorneys had a clear  
5 recollection of discussions with Donald  
6 Trump concerning his objections to the  
7 proposed improvements.

8 Had the Trump group told us last  
9 June they were concerned during the  
10 negotiations with the aesthetics, cost and  
11 design of the proposed improvements, I would  
12 have found those concerns understandable,  
13 and would have also understood their desire  
14 to seek approval from the appropriate  
15 governmental authorities to make changes.  
16 However, at last year's hearing they chose  
17 instead to deny they understood the nature  
18 and the cost of the improvements and to  
19 claim that Hilton successfully prevented  
20 them from obtaining such an understanding.

21 At the conclusion of the hearing, I  
22 said that I was unable to vote to renew the  
23 Castle license until the discrepancies in  
24 the testimony were resolved. I also  
25 recommended that the Division undertake a

1 complete investigation of the matter; and,  
2 in fact, the Division undertook such an  
3 investigation and filed a supplemental  
4 report with the Commission.

5 The issues raised at last June's  
6 Trump Castle hearing and further discussed  
7 in the Division's supplemental report  
8 relate, of course, to the Marina district  
9 road improvements.

10 However, the discrepancies in the  
11 testimony and the doubt they cast on the  
12 honesty and forthrightness of key Trump  
13 officials relate, ultimately to the  
14 qualifications of those officials. Of  
15 course, the qualifications of those  
16 officials must be established with respect  
17 to both the Castle license and the Plaza  
18 license. The Commission, therefore,  
19 determined to accept the Division's  
20 supplemental report into evidence and  
21 consider the issues raised therein at the  
22 present hearing.

23 In the supplemental report, the  
24 Division revealed that it interviewed Hilton  
25 attorney Kathleen Vyborny. Ms. Vyborny

1 informed the Division that a month or a  
2 month and a half after the contract of sale  
3 was signed, Kevin Coakley told her of his  
4 conversation with Donald Trump concerning  
5 the road improvement plans.

6 I cannot conceive of any reason for  
7 Mr. Coakley to have fabricated such a story  
8 at that time. Ms. Vyborny also told the  
9 Division that the plans were open on a table  
10 in the conference room at the offices of  
11 Dreyer and Traub. Again, Ms. Vyborny's  
12 statements support the clear and consistent  
13 testimony given by the Hilton attorneys last  
14 year.

15 The Division also uncovered, in the  
16 files of the Trump attorneys, a draft of the  
17 contract for the sale of the hotel, which  
18 contains an estimate of the cost of the road  
19 improvements. The draft contains a notation  
20 reading, quote, "DJT, read agreement," end  
21 quote, next to the paragraph which includes  
22 the cost estimate.

23 Trump attorney Jonathan Bernstein  
24 acknowledged to the Division during this  
25 investigation that he had made that

1 notation. Thus, the Division's  
2 investigation clearly indicates that cost  
3 information was available to the Trump  
4 attorneys prior to the closing of the sale  
5 of the hotel, and just as clearly indicates  
6 that Mr. Bernstein's denial of last June  
7 that he had such information is not  
8 credible.

9 In its supplemental report, the  
10 Division concludes that Mr. Bernstein was  
11 not a credible witness last year. However,  
12 the Division does not reach any other  
13 negative conclusions with respect to any of  
14 the other witnesses who testified for the  
15 licensee.

16 In fact, the Division concludes  
17 that it did not discover any further  
18 evidence to prove or disprove that a  
19 conversation took place between Mr. Coakley  
20 and Mr. Trump or prove or disprove that the  
21 road improvement plans were delivered to the  
22 Trump attorneys. Ultimately, the Division  
23 concludes that there is no reason to  
24 reconsider the finding by the Commission  
25 that the Trump personnel who testified last

1 June are qualified.

2 I am, frankly, unable to understand  
3 the Division's dismissal of evidence such as  
4 Ms. Vyborny's statements and the annotated  
5 copy of the agreement for the sale of the  
6 hotel which clearly corroborates the  
7 testimony of the Hilton attorneys. I am,  
8 also, unable to understand the decision of  
9 the licensee now before us to ignore the  
10 Division's supplemental report and its  
11 presentation of testimony and in its closing  
12 argument. The licensee has made no effort  
13 to explain or refute any of the matters  
14 raised in the Division's supplemental  
15 report, and it has made no effort to  
16 rehabilitate Mr. Bernstein or to even advise  
17 us that the Trump organization will not use  
18 his services in the future.

19 As I stated at last year's hearing,  
20 the truth of the assertions made by the  
21 Trump officials bore directly upon the  
22 purpose and the intent of the Trump group  
23 with respect to the road improvements at the  
24 time of the purchase of the hotel and  
25 through the ensuing year.

1           In addition, I noted that the  
2           discrepancies called into question the  
3           honesty and candor with which the Trump  
4           group approached the hearing. The  
5           Division's supplemental report and the  
6           licensee's failure to meaningfully address  
7           these issues at the hearing just completed,  
8           only serve to deepen the concerns I  
9           expressed last June.

10           The basic question at any casino  
11           license hearing is whether the licensee and  
12           its qualifiers have established by clear and  
13           convincing evidence their good character,  
14           honesty and integrity.

15           In the absence of a straight-  
16           forward, candid and credible presentation of  
17           the Trump organization's position on the  
18           issues I've been discussing, I cannot find  
19           that Trump Plaza Associates has met its  
20           burden in this regard.

21           As I stated last year, every week  
22           this Commission denies licenses to people  
23           who seek to work at every level in the  
24           casino industry because they have withheld  
25           information on disclosure forms or in



1 Division interviews. We routinely find such  
2 individuals unfit for licensure because of  
3 their refusal to treat the Commission with  
4 candor and openness, even in cases where the  
5 matter itself might not be cause for denial  
6 of licensure. I do not see how we can apply  
7 any less stringent a standard to key  
8 personnel of the Trump organization.

9 I, therefore, do not see how we can  
10 grant licensure to Trump Plaza Associates  
11 based on the record before us.

12 I, therefore, cannot support the  
13 motion.

14 CHAIRMAN READ: Further comment or  
15 discussion?

16 COMMISSIONER ZEITZ: Mr. Chairman,  
17 I would just like to say that I'll support  
18 the motion, finding that the Trump Plaza  
19 Associates, Donald Trump and the Trump  
20 organization have satisfied the requirements  
21 of the Casino Control Act for the  
22 relicensure of Trump Plaza Associates.

23 Beyond that, I would like to just  
24 note that in response to questions by his  
25 counsel, by the Division and by members of

1 the Commission, Mr. Trump has made here a  
2 serious and significant pledge to develop  
3 housing in Atlantic City, which vigorated  
4 similar comments he had made, at least as  
5 reported in the press

6 That pledge is contingent of course  
7 on approval of and closing on his proposed  
8 purchase of controlling interest in Resorts  
9 International, which is not a matter before  
10 us today, but to be considered at a later  
11 date.

12 So anything I might say here is  
13 obviously hypothetical as contingent on what  
14 transpires in connection with that  
15 transaction.

16 Nonetheless, I think it represents,  
17 with that very considerable caveat, Mr.  
18 Trump's comments about housing represent the  
19 assumption of a special burden and, at the  
20 same time, the special opportunity for both  
21 himself, Resorts International, if he does  
22 gaining controlling interest in it and it is  
23 approved, and Atlantic City.

24 When and how and by what government  
25 agency or agencies of New Jersey that pledge

1 can and should be given specific definition,  
2 is a matter for another time; and it awaits  
3 the outcome of those other events. But, for  
4 the moment, I think it reflects an  
5 understanding that has either been made very  
6 grudgingly, at best, by the casino industry  
7 as a whole, or simply ignored by it; that it  
8 is not enough for Atlantic City to be a  
9 place to work, the city also has to be a  
10 place to live. If that can't be achieved,  
11 then this whole thing will be ultimately  
12 fall of its own weight.

13 Albeit, Mr. Trump's pledge is  
14 contingent on those as yet unresolved  
15 events, it represents a promise that, a  
16 farsighted promise, should it ever come to  
17 pass, that should be kept, if and when Mr.  
18 Trump does achieve control of Resorts  
19 International and its substantial land  
20 assets in Atlantic City.

21 Thank you. I apologize for that  
22 being somewhat hard to follow but I just  
23 scribbled it down.

24 CHAIRMAN READ: I followed it.

25 Other comment or discussion?

Having moved to renew the casino license, I nevertheless have certain comments to offer concerning Donald Trump's dealings in the stock of two of his competitors in the Atlantic City casino industry.

A gaming license is not a hunting license, nor is it a fishing license. It's a license which confers the extraordinary privilege of operating a legal casino and which carries with it extraordinary responsibilities.

Those responsibilities are spelled out in the Casino Control Act and the Act embodies, as one of its expressed policies the maintenance of a competitive casino industry.

The Act envisions an industry in which the licensees compete by attempting to build and maintain superior facilities and to offer superior accommodations and services to the public.

At this hearing, we have received evidence that Trump Plaza Associates has been doing these very things, and it has

1           been reaping concomitant financial rewards.  
2           For this, I congratulate the licensee.

3           However, the competition envisioned  
4           by the Act does not encompass the use of a  
5           casino license as a weapon to weaken or  
6           undercut the financial integrity of its  
7           competitors. At this hearing we've received  
8           evidence which indicates to me that this may  
9           have been the effect, if not the intent, of  
10          Mr. Trump's dealings with the stock of  
11          Holiday Corporation and Bally Manufacturing  
12          Corporated.

13                 With respect to Holiday, it is  
14                 clear that Mr. Trump was not the architect  
15                 of that company's recapitalization.  
16          Essentially, all Mr. Trump did was buy low  
17          and sell high. However, it also seems clear  
18          it was his accumulation of Holiday stock  
19          which caused the company to search for a  
20          plan to protect itself from an unfriendly  
21          takeover and that this search led to the  
22          recapitalization.

23                 I am well aware that this  
24                 Commission approved the recapitalization,  
25                 finding that its affects on Holiday were not

1           so severe as to deprive the company of  
2           financial stability or responsibility.  
3           However, the fact remains that the  
4           recapitalization fundamentally altered the  
5           structure and asset base of Holiday, saddled  
6           the company with an enormous debt burden,  
7           and, at least in my view, was not  
8           necessarily in the best interest of the  
9           company or its shareholders.

10                   In the Bally situation, Mr. Trump  
11           did not merely buy and sell stock on the  
12           public market. Whether he likes being  
13           referred to as a greenmailer or not, the  
14           fact remains that he sold his stock back to  
15           Bally at substantial premium over its market  
16           value. It was the threat of a takeover by  
17           Mr. Trump which caused Bally to pay the  
18           premium, and it was Mr. Trump's licensure by  
19           this Commission which made that threat  
20           credible. It appears that it was the same  
21           threat of a takeover by Mr. Trump which  
22           caused Bally to purchase the Golden Nugget  
23           facility.

24                   In sum, Mr. Trump's activities  
25           resulted in Holiday and Bally entering into

1 major transactions greatly increasing their  
2 debt burdens and fundamentally altering  
3 their business and financial structures.  
4 The ultimate consequences for both companies  
5 have yet to be seen.

6 I do not believe that the evidence  
7 before us regarding Mr. Trump's stock  
8 trading requires a denial of the present  
9 casino license application, especially in  
10 view of the fact that the Commission has  
11 never before addressed itself to activities  
12 of this type.

13 However, I believe it is time that  
14 I, as one Commissioner, made my views clear.  
15 To put the matter bluntly, in the future I  
16 will not vote to renew the license of any  
17 casino licensee which purchases an interest  
18 in a competitor, unless I am convinced that  
19 the motivation was a sincere desire to  
20 acquire and operate the competing facility.

21 I, of course have no desire to  
22 stifle legitimate sales, such as the sale of  
23 the Golden Nugget to Bally or the sale of  
24 Resorts to Mr. Trump. I also realize that  
25 casino licensees have the right to purchase

1 and sell securities of other companies.  
2 However, there are certainly adequate  
3 investment opportunities outside of the  
4 Atlantic City casino industry. Investments  
5 by licensees in other companies within that  
6 industry are fraught with the potential to  
7 take unfair advantage of the status which  
8 licensure confers. Such investments also  
9 carry with them the potential for disruptive  
10 and possibly disabling changes within the  
11 subject company, and the consequent  
12 thwarting of the legislative goals of an  
13 open, vibrant and competitive industry.

14 Finally, I must note that this  
15 Commission has proposed an amendment to the  
16 Casino Control Act which would create  
17 interim casino authorizations as a mechanism  
18 for unlicensed companies to enter the casino  
19 industry. If enacted, that legislation  
20 would greatly lessen the problems faced by  
21 the casino enterprises, such as Resorts and  
22 Elsinore, which are seeking buyers, and  
23 would also create a more level playing field  
24 as between licensed and unlicensed  
25 competitors. However, under the Act as now



1 written, or as amended to include interim  
2 authorizations, I believe that licensees  
3 must show the utmost sensitivity in the  
4 legislative policy of fostering vigorous  
5 competition and must therefore avoid  
6 investments in each other's stock for  
7 purposes other than legitimate acquisitions.

8 Further comment?

9 If not, on the motion made and  
10 seconded, those in favor?

11  
12 (Chairman Read, Commissioners  
13 Zeitz, Waters and Burdge voted in favor  
14 of the motion.)

15 CHAIRMAN READ: Those opposed?

16  
17 (Chairman Armstrong voted  
18 in opposition to the motion.)

19 CHAIRMAN READ: Motion carries four  
20 to one.  
21  
22  
23  
24  
25

C E R T I F I C A T I O N

I, Gregory T. DiDonato, Certified  
Shorthand Reporter and Notary Public of the State of  
NEW JERSEY, do hereby certify that the foregoing is a  
true and accurate transcription of my Stenographic  
Notes in the matter of: \_\_\_\_\_


\_\_\_\_\_  
TRUMP PLAZA ASSOCIATES AND SEASHORE FOUR ASSOCIATES  
RENEWAL OF CASINO LICENSES - VOLUME II  
\_\_\_\_\_

held at the place and on the date hereinbefore set forth.

I FURTHER CERTIFY that I am neither attorney nor  
counsel for, nor related to or employed by, any of the  
parties to the action in which this hearing was taken.

AND FURTHER that I am not a relative or employee  
of any of the parties or attorney or counsel employed  
in this case, nor am I financially interested in the  
case.

Dated: 4/22/88

  
\_\_\_\_\_  
GREGORY T. DIDONATO  
Certified Shorthand Reporter  
# 541